

COMBINED SPECIAL WORK SESSION/SPECIAL MEETING  
(EXECUTIVE SESSION)  
THURSDAY, DECEMBER 10, 2015  
FLAGSTAFF AQUAPLEX  
1702 NORTH FOURTH STREET  
8:00 A.M.

## **SPECIAL WORK SESSION**

**1. Call to Order**

Mayor Nabours called the Special Work Session of December 10, 2015, to order at 8:34 a.m.

**2. Pledge of Allegiance**

The City Council and audience recited the Pledge of Allegiance.

Mayor Nabours welcomed Senator Sylvia Allen, Representative Brenda Barton and Representative Bob Thorpe and thanked them for attending the meeting.

**3. Roll Call**

*NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.*

PRESENT:

MAYOR NABOURS  
COUNCILMEMBER BREWSTER  
COUNCILMEMBER EVANS  
COUNCILMEMBER ORAVITS  
COUNCILMEMBER OVERTON

ABSENT:

VICE MAYOR BAROTZ  
COUNCILMEMBER PUTZOVA

Others present: City Manager Josh Copley; City Attorney Michelle D'Andrea; Senator Sylvia Allen; Representative Brenda Barton; Representative Bob Thorpe

**4. State Legislative Briefing**

Assistant to the City Manager Stephanie Smith thanked staff, City Council, Senator Allen and Representatives Barton and Thorpe for attending the meeting. Ms. Smith reviewed the informational materials that were distributed to the attendees and showed the video Visit Flagstaff.

Mayor Nabours stated that the City Council and staff would like to hear from each of them in regards to what they see in the coming session and what may be the big issues.

Senator Allen thanked the City Council for inviting her to participate in the discussion. She complimented the City Council for the job they are doing and stated that she is encouraged to

see the economic growth in Flagstaff. Senator Allen explained that this is the first session where there is some money to work with but it is important to be cautious about what priorities are funded as they want appropriations to be ongoing. She would like to start by making things whole again.

She stated that another big issue is roads; she would like to see more HURF dollars restored as roads are critical to economic growth in the rural communities.

Education is a very important issue and will definitely be a big topic again this year for funding. She would like to restore funding to education programs and universities. She emphasized her support for the special session and what was done. The leadership studied the issue critically and received legal advice from many directions. She feels that in regards to the State Trust Fund, people have a right to increase that distribution formula and that the formula should have been increased over the years to provide increases in educational dollars. She believes that there are enough checks and safeguards put into the bill that if there is another bad year that funding will be protected.

Lastly, rural and County issues will be on her radar this session and restoring some funding for them.

Representative Barton stated that education will continue to be at the forefront of the discussions this session. She indicated that she, too, was in support of the special session on the State Trust Fund and feels that it has been designed as a positive change. She stated that she is a supporter of the JTED and the CT programs; the state needs mechanics and plumbers and equipment operators and these programs provide the training to do that. Many people are not designed to go through a university and successful alternatives need to be in place for students who immediately enter the work force after high school.

She stated that she is in support of returning HURF funding back to the counties where it more appropriately belongs. Last year the Governor was interested in increasing the license fee; in doing so it appears that there would be an increase of \$30 million which would help fund DPS and they would stop getting appropriations from HURF funds. Public safety is taking a lot of the funds right now and this could help rebalance those. People will likely not be happy about the increase in the fee but it has not changed in many years and has not moved with inflation.

Representative Barton stated that another thing to look at will be the fire districts and how they are designed, funded and the way the counties interact with them. She had a meeting with the Governor about his veto on the State Compact with Utah on the transfer of public lands. The compact was a tool to work together towards the transfer of public lands and share information and ideas. Utah has done a lot of work with the counties and Arizona will begin working with its counties in January. In talking with the Governor he seems more receptive to the censure on the transfer of public lands compact with the State of Utah. The Transfer of Public Lands Study Committee is active and the next meeting will focus on a variety of environmental impacts.

Another item that is moving is an issue with small water companies. The Arizona Corporation Commission has authority over them as a small utility and the legislature will be looking at ways to help some of these very small companies that have various problems to obtain funding for capital repairs.

Representative Thorpe thanked the City for inviting him to participate in the session. He reported that he has been working with ADEQ and secured a permanent waiver for Flagstaff to use reclaim water for its Dew Downtown event. He was also contacted by the City for assistance regarding the designation of Arizona's Winter Wonderland. He encouraged the City

to continue to reach out to him and the other representatives on issues that need assistance and resolve.

Representative Thorpe stated that the Governor is setting a good tone in regards to trying to deal with some fiscal issues and his big item this year is to get more money into the K-12 education system. He had concerns going into the special session but there were some good changes to the State Trust Fund so it can more aggressively deposit those monies. The people that are running the trust are doing a good job and the money distributed over the next ten years will only have a slight impact on the trust.

HURF is important and the rural legislators have made it an important issue. Those funds need to be restored to the cities and counties. The rate needs to be changed so that the State is collecting enough money to handle the needed repairs.

He stated that he recently met with over 20 rural fire chiefs about issues they are having. The issues are compromising public safety and need to be addressed. He will be drafting a bill to address those issues and get more funding directed to them.

He stated that in regards to the JLBC, the State realized over \$300 million in unexpected monies last year from corporate taxes and capital gains; neither of those sources are sustainable. There will be more coming in the future but not like what was seen last year. The indicators of the health of the state is income tax withholding and sales tax. Sales tax slowed at 3%, corporate tax is estimated to go down, capital gains is volatile and cannot make good estimates and housing is pretty flat right now. The state is at about a third of what has been seen in the past. The market is starting to recover in Maricopa County but that has not been seen yet across the state. There is an anticipated 3.5% to 4% growth this year, and the state is looking for a balanced budget for fiscal year 2017. By 2019 the estimates show a \$200 million windfall over baseline. Things are turning around; Arizona is rated number one in job creation; it is important to do everything possible to invite new businesses to Arizona.

Mayor Nabours stated that the City of Flagstaff would like to thank them for some of the things they have done. There are three successes that the City would like to highlight. Ms. Smith stated that the three items that will be highlighted are State Forestry funding, Arizona Commerce Authority funding and Solid Waste legislation. She introduced Wildland Fire Manager Paul Summerfelt.

Mr. Summerfelt stated that in addition to his role with the Flagstaff Fire Department he is the project manager for the Flagstaff Watershed Protection Project and the active Co-chair of the Four Forest Restoration Initiative. The new State Forester has taken forestry in a new direction and the City has enjoyed that direction. The state funding that was provided for work on state lands allowed the City to enter into a partnership with Equestrian Estates in 2015 to treat 420 acres at a total cost of \$87,000 to both the State and City. Overall there was a 4.8 out of 5 success rating that was supported by the residents in that community. The State also used some of that appropriation for archeological and endangered species surveys on various parcels in and near the city of Flagstaff. Those were big impacts to the City in the need to move forward with protection of the community and forest resources.

In fiscal year 2016 the State helped Flagstaff on the Observatory Mesa by creating a stewardship plan. The State Forestry Department provided in kind services from their staff to assist in the treatment of 2200 acres of land. This allowed the City to move forward with forest treatment using bond monies.

Currently in Section 30, a State parcel within the City, the City is using Department of

Correction crews to do thinning work on 140 acres. Again, the City is partnering with State Forestry to provide matching funds to cover the cost of treatment.

The appropriations have been very positive for Flagstaff and the City looks forward to further partnerships to treat and protect the forest resources. The City appreciates the help of its representatives in moving projects like these forward.

Representative Barton asked where the wood materials go once they are removed from the treatment areas. Mr. Summerfelt stated that some goes to Williams, some goes to Phoenix, and some goes to Snowflake.

Senator Allen asked how the City has been able to work with the Federal government on federal land. Mr. Summerfelt stated that the City has a good relationship with the U.S. Forest Service; about 90% of the Flagstaff Watershed Protection Bond Project work is occurring on federal land outside the City. Over the last 15 years there has been a lot of project work done in and around Flagstaff. This is evident with the Slide Fire which would never affect the City of Flagstaff because of the treatments that have been done around the City. The City is hopeful that these same successes will increase throughout northern Arizona.

Grants Manager Stacey Brechler-Knaggs reported on the Flagstaff Business Accelerator and Alternate Emergency Operations Center (EOC). She reported that about four years ago the City, with multiple partners, decided to take a proactive, collaborative approach to foster job creation, capital investments and ensure sustainable growth. A Flagstaff Business Accelerator was created; it is a 28,000 square foot facility with three manufacturing centers, six labs, 25 office spaces, meeting space and an alternate EOC center. Flagstaff did not have enough lab and manufacturing space and this project has helped offer that. The building is to help grow and expand business startups and advance entrepreneurship. The goal is to create 300 jobs and \$20 million in private investment in three years. There are already a few clients in the building and a lot of additional interest.

It is an \$8 million project, Flagstaff received \$4 million from the Economic Development Administration and \$2.6 million was contributed by the City. What made this project possible was the \$1 million from the Arizona Commerce Authority and the \$100,000 from Northern Arizona University. Mayor Nabours stated that the idea is that there is an option available to businesses that have shown they have a viable project but need lab space or other space it cannot afford on its own. This space will allow them to grow and expand their business and hopefully stay in Flagstaff. It is a really great concept and there are some really neat things happening in that facility that will put Flagstaff on the map. Many thanks go to the rural legislators for making sure that all the funding does not just go to Maricopa County. The rural representation has been tremendously helpful in making this project a success.

State Lobbyist Richard Travis stated that the Commerce Authority has changed the sunset requirement from eight years to two, largely in part to wanting to see more transparency in the grants area to make sure that the money is used equitably across the state. Flagstaff wants this project to show what can be done when investment is made in rural Arizona. The key is that those kinds of grants continue to come to rural communities so there can be economic growth and development. Senator Allen stated that transparency is crucial because they do not hear the success stories. The State wants to know what happens to those dollars and understand if they are helping and if they are going where they want them to go. Hopefully the two year strategy will allow for better understanding on where the dollars are going and how they are being spent. Councilmember Overton offered that locally it is something that the community can get behind. It is a small piece but it allowed the City to partner with federal, state and local community agencies to create something much larger. Senator Allen agreed

stating that us why it is so important for them to understand the impact and see the effect of the dollars granted. Representative Thorpe stated that the mission of the Commerce Authority is morphing and the legislature wants to reevaluate what they do and how they encourage companies to come to Arizona. More scrutiny will not hurt but instead refocus the mission to make sure they are on track.

Public Works Director Erik Solberg discussed the Solid Waste legislation that occurred in last year's session. The City was successful in advocating their interest for SB1187. The City felt that their message was well received and the result was favorable. Mr. Travis stated that one of the reasons the City wanted to highlight this bill was because it is an example of the community working with the legislature on an issue that had unintended consequences. As originally written, the bill would require that a city pays all the taxes that a private hauler pays. What this meant for Flagstaff was that it would have to pay property tax on the landfill and this would result in higher fees for City users. By staff reviewing the bill and bringing the information back, a change to the language was able to happen on the floor and the end result was that people in this community would not have an increase in their rate. It is another great example of the City working together with the legislature to help the community in a way that did not ask for additional funds. Representative Thorpe stated that he was happy to help with the amendment on this bill and at the end of the day the issues of the private haulers were addressed without harm to the City.

Interim Management Services Director Rick Tadder provided information on the City of Flagstaff's budget outlook. He stated that the City opted out of the mid-decade census because of the cost; however, the financial impact is about \$300,000 annually to the City's state shared revenue. The City is keeping an eye on that and the Arizona League of Cities and Towns is looking at ways to work it out so it is favorable to all cities.

He reported that there has been discussion about the elimination of income tax within Arizona. One thing that has been heard is replacing income tax with a sales tax; this would not keep cities whole. Currently, Flagstaff gets about \$8 million in state shared income taxes; a three percent share on sales tax would bring in \$3.6 million which is an impact of more than \$4 million to Flagstaff. The City will be watching that closely as it moves forward for consideration.

Public Safety has been a topic for many years in terms of increased cost and retirement. The City is looking at increases this year. The big concern is the Hall case and the impacts it will have on cities; Flagstaff may be looking at an additional \$1 million per year in pension costs if the State loses that case. On the positive side, a task force was developed this year and the Deputy City Manager Barbara Goodrich sat on this task force on behalf of Flagstaff. They did a lot of outreach and learning about the pension obligations and how they are structured. The police and fire unions also looked at the programs to try and identify ways to make it better. This session will likely bring forward legislation on how to improve the system and the impacts to the cities.

Mr. Tadder reported that Flagstaff has great revenue projections. The HURF funding has a great impact on Flagstaff; the DPS sweeps equate to a \$500,000 ongoing impact and if the MVD sweeps come back that is another \$300,000 impact. Flagstaff appreciates the support in restoring those HURF dollars and restoring funding to DPS.

Tourism is essential to Flagstaff, the sales tax and BBB revenues are very good. The 90th anniversary of Route 66 and also the designation of the Winter Wonderland of Arizona will help bring even more tourism to Flagstaff. There are six hoteliers that are interested in coming to Flagstaff because the market is strong. Construction is strong in all of the markets and

development has spread citywide. There are three student housing developments coming to Flagstaff. NAU growth is very strong and they are projecting a 3% increase in students this coming year.

Representative Thorpe stated that in regards to the possible elimination of income tax, he will work to make sure that it would not be a negative impact to rural communities. There would have to be a revenue sharing plan in place to backfill any shortfall that may occur. The reason there is interest in eliminating income tax is because of the large states Arizona competes with in terms of economic development. Arizona is seen as penalizing people for doing well. He met with a South Dakota legislator about eliminating their income taxes and he said that with recession there are dips in withholding. In South Dakota they have found that even in poor times they have seen slight increase in sales tax revenues.

Representative Thorpe stated that he just met with the head of pensions and it looks like he may be running three bills and two or three more coming through his committee. Pension is a great concern and it is actively being worked on; the impact to Flagstaff and other rural communities is very important.

Councilmember Oravits stated that it is good to hear that they are looking to draw business to the state. Flagstaff is a small city but the biggest hub in northern Arizona. One of the City Council's top priorities is economic growth and bringing business and tourism to Flagstaff. Anything that can be done to bring people here is greatly appreciated.

Senator Allen stated that some of the hard decisions that were made in the last six years and the tax adjustments done for businesses have helped. Flagstaff has experienced increased revenue and that is attributed to good decisions in the past. Arizona is on the right path and she hopes it continues. She stated that it is important to create revenue by businesses being successful and creating those revenues through the private market.

Councilmember Evans stated that one of the things she often hears is that Flagstaff's sales tax is high. As the State moves forward and looks for different streams of revenue please keep in mind that many cities have increased taxes to cover shortfalls in State funding.

Mayor Nabours stated that one of Flagstaff's big generators of revenue is construction. The construction trades are not getting the young people with trade education as they have in the past. He asked Councilmember Overton, as a general contractor, if there is difficulty getting these kinds of employees. Councilmember Overton stated as a small rural community there are limits on the number of skill trades workers available, especially the younger generations filling behind the older, experienced workers. There is a need there and it will be important to be aware of legislation and taxation that encourage people to find an easier way of living. The workforce is limited and education is one piece but the quality of life is equally important.

Representative Barton stated that CTE and JTED are just that first level of learning those skill sets, it is important to follow through on the journeyman side to get the experience and training from those already in the field. Councilmember Overton added that the initial education of those skills used to fall to the community colleges but they have had to cut those programs due to lack of funding. Representative Barton indicated that Flagstaff is large enough to begin a small program with limited carpentry, electrician, or plumbing trade education. It is a work program and education program that gets the young people education where they live so they can work where they live. Councilmember Evans added that there are some programs in Flagstaff but on a smaller scale that train people to be apartment maintenance supervisors, and other trades. She suggested they get in touch with Carol Curtis at the Coconino County Career Center for more information about what is currently available in Coconino County.

A break was held from 9:58 a.m. through 10:06 a.m.

Mayor Nabours then provided a brief overview of the Veteran's Home proposal. Flagstaff has set aside land for the facility and the Department of Veteran Affairs has already put the \$10 million set aside in their budget for this year. Flagstaff is asking for the set aside to remain in their budget. This is an important project, it is a good economic tool and it is a regional benefit. The facility could create 120 plus jobs in the healthcare field and be the first of its kind in northern Arizona. Senator Allen thanked the City for continuing to push this project, it is a process that takes a lot of work and perseverance. She feels that it is a great example of something that one time monies could be used for. She stated that she will do her best to make sure it stays in the budget.

Councilmember Overton then gave an update on Forest Health. The state lands are vital to the Flagstaff community and if they burn the value is diminished. Flagstaff recognizes those lands are the State's investment but the City's risk and the City wants to make certain that it can assist in the protection of that land. The ask is simple, keep up the great work and remind your colleagues of the many success stories coming out of the Flagstaff area with regards to forest health.

Mayor Nabours stated in regard to the Red Gap Ranch pipeline that the City's hundred year supply of water is about 30 miles east of Flagstaff and lies along the I-40 right of way. That water needs to have a way into Flagstaff and the I-40 corridor is the most logical option. The City has been in discussions with the Department of Transportation for many years and their perspective has started to change. The City is close to an agreement with the Department of Transportation to use the right of way and the Governor has been supportive of the City's efforts. Senator Allen stated that it is important for the state agencies to be cooperative and supportive of each other.

Mayor Nabours stated that another issue coming up that the City Council has taken a position on is that of guns in public facilities. It is not only a gun issue but a cost issue. Flagstaff's Council meetings can get emotional sometimes and there are two police officers at each meeting. Right now the City is saying no guns allowed in the Council Chambers but there have been proposals about permitting guns in these areas. Mr. Copley added that the City does have gun lockers that people can use in the event that they bring a gun into the area however, there are only a few available and there is a cost associated with increasing the storage capacity.

Senator Allen stated that she believes someone with a concealed carry permit is not the concern, those who do not care if there is a sign or regulation are. These discussions and decisions unfairly target the law abiding gun carrier. Additionally, she feels that there is a liability factor on the agency trying to prohibit firearms with the posting of sign. If a firearm does come through by someone who does not care what the sign says and causes injury to the public the agency could be held responsible for not actively enforcing their regulation. If the direction is to prohibit guns in particular areas then metal detectors should be used to prevent any oversight. Representative Thorpe suggested that the sign may actually increase gun activity because he feels that these types of people go to places where guns are not permitted so there is less opportunity for retaliation. It is a difficult conversation and he appreciates what the City is doing currently by offering some protection with the officers onsite. Councilmember Evans stated that she certainly understands the issue of gun rights and offered that the issue is the public perception that they can feel safe coming to a Council meeting to discuss difficult, emotional and contentious issues. She offered that Flagstaff would ask that they advocate against legislation that would allow guns in public facilities.

Councilmember Overton brought up the issue of there being requirements for an architect stamp for very minor revisions to an existing structure. Those stamps can be very costly for something as simple as adding a window to a wall. A change in these requirements could be very helpful and beneficial to small businesses in Flagstaff. Representative Barton stated that she carried a similar bill with regards to condos and that was well received and successful, she feels that the same may be able to be applied to this situation. Councilmember Overton stated that the revisions will still go through the local process but would eliminate a costly step in the process.

Mayor Nabours stated that sustainable energy districts are another issue that Flagstaff is dealing with; Flagstaff would like to see flexible financing authority for commercial entities for upfront investment capital in energy efficiency improvements to properties. Representative Barton stated that the problem lies with the banks. Ms. Smith added that the hope is to work more closely with the finance agencies to find solutions. Representative Thorpe indicated that he would support trying to get this through but he has found that the head of the Senate does not like special taxing groups.

Councilmember Evans stated that the Housing Trust Fund is another issue for Flagstaff. This is a state resource to address the state's housing needs. Prior to the recession the fund was at \$30 million and during the recession the fund was capped at \$2.5 million. Flagstaff is asking that the cap be removed or raised. The cost of living and the cost of housing is extremely high in Flagstaff and this fund is used to help with housing rehab and emergency home repair service. Additionally, some of the non-profits in the area of affordable housing could use the funds as matches for federal grants. Senator Allen asked how the funds are determined to be distributed. Mr. Travis stated that the Director of Housing reviews the grants and makes a decision. The last couple of years the fund has been swept so the amount that goes out has been dramatically reduced.

Mayor Nabours stated that he and the Council cannot thank the Senator and Representatives enough for accepting the invitation to come and discuss the successes and issues in Flagstaff. He thanked them for their time and commitment to the region.

## **5. Adjournment**

The Special Work Session of the Flagstaff City Council of December 10, 2015, adjourned at 10:46 a.m.

# **SPECIAL MEETING**

## **1. Call to Order**

Mayor Nabours called the Special Meeting (Executive Session) of December 10, 2015, to order at 10:55 a.m.

**2. Roll Call**

*NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.*

PRESENT

ABSENT

MAYOR NABOURS

COUNCILMEMBER EVANS

VICE MAYOR BAROTZ, telephonically

COUNCILMEMBER BREWSTER

COUNCILMEMBER ORAVITS

COUNCILMEMBER OVERTON

COUNCILMEMBER PUTZOVA, telephonically

Others present: City Manager Josh Copley and City Attorney Michelle D'Andrea.

**3. Recess into Executive Session****4. Executive Session:**

**Moved by** Mayor Jerry Nabours, **seconded by** Councilmember Jeff Oravits to recess into Executive Session.

**Vote:** 6 - 0 - Unanimously

The Flagstaff City Council recessed into Executive Session at 10:56 a.m.

**A.** Discussion or consultation for legal advice with the attorney or attorneys of the public body, and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. Section 38-431.03(A)(3) and (4), respectively.

i. Hopi v. City of Flagstaff / City of Flagstaff v. Snowbowl

**B.** Discussion or consultation for legal advice with the attorney or attorneys of the public body; discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation; and discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property, pursuant to A.R.S. Section 38-431.03(A)(3)(4) and (7), respectively.

i. Navajo & Other Tribal Water Rights

**5. Adjournment**

The Flagstaff City Council reconvened into Open Session at 12:32 p.m. at which time the Special Meeting (Executive Session) of December 10, 2015, adjourned.

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Mayor

ATTEST:

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City Clerk